

**PRESERVATION ACQUISITION PROGRAM**

Program Description	<p>The Preservation Acquisition Program is designed to preserve at-risk affordable housing developments by providing low-cost acquisition financing. The fund is comprised of monies authorized by Proposition 46 ("Bond Funds") and funds from CalHFA ("Agency Funds"). A goal of the program is for the combined funds to be repaid from permanent financing sources and be recycled for new acquisition loans. CalHFA will administer both funds and underwrite the loans pursuant to its Preservation Financing Program lending guidelines.</p> <p>Projects that are unable to secure permanent financing after acquisition may request that Bond Fund monies be converted to long term, residual receipt financing. CalHFA, in its sole discretion, may approve such request but only after a comprehensive review is conducted by the Agency and it is determined that no other viable financing alternatives are available to the project.</p>
Eligible Projects	<p>Assisted housing developments eligible for the Preservation Acquisition Program are defined by Government Code 65863.10 which include:</p> <ul style="list-style-type: none"> • Section 8 assisted • BMIR 221 (d)(3) • Section 236 • Section 202 • Programs under Rent Supplement Assistance • Section 515 • Section 42 of the Internal Tax Revenue Code
Qualifications	<ul style="list-style-type: none"> • Available to for-profit, non-profit or public agency sponsors. • A single asset entity will not be required for acquisition
Loan Amount	<ul style="list-style-type: none"> • Loan to cost: up to 100% of acquisition cost, subject to CalHFA approval. • Minimum 110% debt service coverage
Fees	<ul style="list-style-type: none"> • Application Fee: \$500, due at time of application submittal • Loan Fee: 1% (on the Agency Funds only) payable from the acquisition loan • One-half of the loan fee can be credited toward permanent CalHFA financing fees • The purchase price may not exceed the "as is" market appraised value of the property. CalHFA reserves the right to accept or reject the appraisal

Rate & Terms	<ul style="list-style-type: none"> • Bond Funds: 3%, simple interest, deferred until permanent financing • Agency Funds: 4%, simple interest, payable monthly (subject to change). • The acquisition loan comprise of both funds is due and payable, plus all accrued interest, two years from the date of funding.
Processing Time	The Preservation Acquisition Program contemplates a 90-day process from the time CalHFA receives a complete application to funding of the acquisition loan.
Subordinate Financing	All loans, leases and other liens must be subordinate to the acquisition financing. Subordination of development and regulatory agreements will be reviewed on an individual basis.
Occupancy Requirements	<ul style="list-style-type: none"> • Affordability requirements contained in federal, state or local restrictions imposed on the property at the time of acquisition will be continued. Lesser affordability restrictions may be considered based on project feasibility as determined solely by CalHFA • Borrower must agree to apply for and accept all extension of existing HAP agreements or other rent subsidy programs for the term of the Preservation Acquisition Program loan. Existing contracts must be assigned to the Borrower. All required federal, state or local approvals must be obtained for the transfer of the property.
Regulatory	A regulatory agreement reflecting existing restrictions or those as determined by CalHFA will be recorded against the property for 30 years.
Due Diligence	<p>The following due-diligence efforts are required at the borrower's expense:</p> <ul style="list-style-type: none"> • Property appraisal; • Phase I and seismic review; • Physical Needs Assessment (PNA) <p>Additional studies that may be required by CalHFA:</p> <ul style="list-style-type: none"> • Market study • Lead and asbestos reports
Sponsor Fees	To offset the cost of acquisition, sponsors may take a fee equal to 1% of the acquisition cost, or \$75,000 whichever is less, payable from acquisition loan proceeds.
Priority	Every effort will be made to accommodate all loan applications. However, priority in processing and funding will be given to those projects with assistance expiring within two years. A second priority will be given to projects with assistance expiring within five years.

Rehabilitation Plan	<ul style="list-style-type: none"> • All applicants will be required to submit an outline rehabilitation plan for the project. This plan should include a scope of work with cost estimates that address the project's immediate and long term capital needs. For purposes of the acquisition loan, it is recommended that the scope of work be defined by identifying all scope items on the PNA. • Agency staff will evaluate the outline rehabilitation plan to ensure that lenders will accept the project for permanent financing. An in-depth review by staff may be conducted to examine those significant physical items that could preclude project financing (i.e., extensive dry rot, health and safety, major system replacement, etc.)
Permanent Finance Plan	<p>All applicants for loans under this program will be required to submit a permanent financing plan to ensure the repayment of the acquisition funds. Refer to CalHFA loan term sheets for permanent financing requirements. Permanent financing may be from sources other than CalHFA .</p> <p>Contact CalHFA for a sample permanent financing plan.</p>
Exit Strategy	<p>Applicants will also be required to submit an exit strategy (i.e., sale, alternative financing, etc.) in the event permanent financing cannot be obtained. Bond funds can be "rolled over" under certain scenarios; however, every effort should be made to retire the CalHFA funds.</p>
Cash Flow During Acquisition	<p>The Agency will closely monitor and approve all cash disbursements during the acquisition phase. All project cash will be utilized for project purposes and may not be used for the payment of developer fees or other non-project uses unless authorized by CalHFA.</p>
CalHFA Loans	<p>Loans held by CalHFA are not eligible for financing under this program.</p>
Questions	<p>Questions regarding the Preservation Acquisition Program can be directed to:</p> <ul style="list-style-type: none"> • CalHFA's Multifamily Programs Division • P.O. Box 4034, Sacramento, CA 95812 • Phone: 800.736.2432 or directly at 916.322.5123 • Email address: mfprograms@calhfa.ca.gov • Web site: www.calhfa.ca.gov

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. CalHFA does not discriminate on the basis of disability in employment or in the admission and access to its programs or activities.